

**K-REIT ASIA
FIRST QUARTER 2010 FINANCIAL STATEMENT ANNOUNCEMENT****UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2010****TABLE OF CONTENTS**

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**SUMMARY OF K-REIT ASIA RESULTS
FOR THE QUARTER ENDED 31 MARCH 2010**

	GROUP		
	1Q2010 \$'000	1Q2009 \$'000	+/- %
Property Income	18,210	14,785	23.2
Net Property Income	13,888	10,820	28.4
Total Return before Tax	10,942	5,717	91.4
Income Available for Distribution to Unitholders	17,825	15,658	13.8
Distributable Income to Unitholders ¹	17,825	15,658	13.8
Distribution per Unit ("DPU") (cents)			
For the Period	1.33	1.18²	12.7
Annualised	5.39	4.79²	12.5
Distribution Yield	4.9% ³	8.1% ⁴	(39.5)

Notes:

- (1) The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders.
- (2) The DPU for 1Q2009 has been restated to take into account the effects of the rights issue completed in November 2009.
- (3) The yield is based on the market closing price per unit of \$1.10 as at the last trading day, 31 March 2010.
- (4) The yield is based on the market closing price per unit of \$0.595 as at the last trading day, 31 March 2009.

INTRODUCTION

K-REIT Asia is a real estate investment trust managed by K-REIT Asia Management Limited, with RBC Dexia Trust Services Singapore Limited as trustee.

K-REIT Asia's objective is to generate steady and sustainable returns for its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets. K-REIT Asia has a pan-Asian mandate that enables it to invest in quality commercial properties in Singapore and other Asian growth cities.

K-REIT Asia was listed on the Singapore Exchange Securities Trading Limited on 28 April 2006 with an initial property portfolio comprising Bugis Junction Towers, Keppel Towers, GE Tower, and Prudential Tower Property (approximately 44.4% of the strata area of the building) from its sponsor Keppel Land Limited.

In December 2007, K-REIT Asia completed its maiden acquisition of a one-third interest in One Raffles Quay. This was followed by the acquisition of additional six strata floors of Prudential Tower which increased K-REIT Asia's ownership in Prudential Tower to 73.4% of the total strata area of the building in November 2009.

K-REIT Asia completed its first overseas investment of a 50.0% stake in 275 George Street, in Brisbane, Australia in March 2010, and enlarged its portfolio size to \$2.3 billion as at 31 March 2010.

K-REIT Asia aims to maintain a strong balance sheet and steadily grow its portfolio. In late 2009, K-REIT Asia completed a rights issue and raised gross proceeds of approximately \$620.0 million, bringing the total number of units in issue to approximately 1.3 billion units. Some \$320.8 million of the rights proceeds has been used to repay a bridging loan facility for the purpose of financing the acquisition of the six strata floors of Prudential Tower as well as financing the acquisition of the 50.0% stake in 275 George Street.

1 UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2010

The Directors of K-REIT Asia Management Limited, as manager of K-REIT Asia, announce the following unaudited results of K-REIT Asia for the quarter ended 31 March 2010:

1(a)(i) Statement of total return and distribution statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Total Return

	Note	Group			Trust		
		1Q2010 \$'000	1Q2009 \$'000	+/(-) %	1Q2010 \$'000	1Q2009 \$'000	+/(-) %
Gross rent		17,895	14,547	23.0	16,551	14,547	13.8
Car park income		296	223	32.8	219	223	(1.8)
Other income		19	15	26.7	13	15	(13.3)
Property income		18,210	14,785	23.2	16,783	14,785	13.5
Property tax		(1,165)	(1,657)	(29.7)	(1,047)	(1,657)	(36.8)
Other property expenses	1	(2,108)	(1,460)	44.4	(1,917)	(1,460)	31.3
Property management fee		(519)	(444)	16.9	(504)	(444)	13.5
Maintenance and sinking fund contributions		(530)	(404)	31.2	(530)	(404)	31.2
Property expenses		(4,322)	(3,965)	9.0	(3,998)	(3,965)	0.8
Net property income		13,888	10,820	28.4	12,785	10,820	18.2
Income support	2	6,475	6,151	5.3	6,204	6,151	0.9
Interest income	3	3,477	1,939	79.3	3,440	1,939	77.4
Share of results of associated company	4	2,092	3,173	(34.1)	2,092	3,173	(34.1)
Amortisation expense	5	(5,294)	(6,726)	(21.3)	(5,294)	(6,726)	(21.3)
Borrowing costs	6	(6,099)	(6,099)	-	(6,099)	(6,099)	-
Manager's management fees	7	(3,433)	(3,233)	6.2	(3,433)	(3,233)	6.2
Trust expenses		(370)	(308)	20.1	(295)	(308)	(4.2)
Changes in fair value of unrealised derivative financial instruments	8	206	-	Nm	206	-	Nm
Unrealised foreign exchange gain		-	-	-	3,271	-	Nm
Total return before tax		10,942	5,717	91.4	12,877	5,717	125.2
Income tax expense	9	(740)	(628)	17.8	(535)	(628)	(14.8)
Total return after tax		10,202	5,089	100.5	12,342	5,089	142.5
<u>Distribution Statement</u>							
Total return before tax		10,942	5,717	91.4	12,877	5,717	125.2
Net tax adjustments	10	7,623	10,569	(27.9)	5,483	10,569	(48.1)
Income tax expense		(740)	(628)	17.8	(535)	(628)	(14.8)
Income available for distribution to Unitholders		17,825	15,658	13.8	17,825	15,658	13.8
Distributable income to Unitholders	11	17,825	15,658	13.8	17,825	15,658	13.8
Distribution per unit (cents)							
For the period	12	1.33	1.18	12.7	1.33	1.18	12.7
Annualised	12	5.39	4.79	12.5	5.39	4.79	12.5

Notes:

Nm – Not meaningful

- (1) Included as part of the other property expenses are the following:

	<u>Group</u>		<u>Trust</u>	
	1Q2010	1Q2009	1Q2010	1Q2009
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	731	282	731	282
Utilities	476	473	394	473
Repair and maintenance	576	443	477	443
Property management reimbursements	300	253	300	253
Other property expenses	25	9	15	9
	2,108	1,460	1,917	1,460

- (2) This is the income support top-up payment received or receivable by K-REIT Asia for its one-third interest in One Raffles Quay Pte Ltd ("ORQPL"), the additional six strata floors of Prudential Tower and the 50% interest in 275 George Street, Brisbane.

- (3) Interest income comprises the following:

	<u>Group</u>		<u>Trust</u>	
	1Q2010	1Q2009	1Q2010	1Q2009
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposit and current accounts	390	47	353	47
Interest income from shareholder's loan to ORQPL	3,087	1,892	3,087	1,892
	3,477	1,939	3,440	1,939

- (4) Share of results of associated company relates to K-REIT Asia's one-third interest in ORQPL's net profit after tax which is represented by the proportionate share of gross revenue less property expenses, interest expense and income tax and excluding the net change in fair value of its investment property.

- (5) Please refer to paragraph 1(b)(i) note 3.

- (6) Borrowing costs comprise the following:

	<u>Group</u>		<u>Trust</u>	
	1Q2010	1Q2009	1Q2010	1Q2009
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	1,841	1,841	1,841	1,841
Interest expense on revolving loan	3,807	3,807	3,807	3,807
Amortisation of transaction costs capitalised	451	451	451	451
	6,099	6,099	6,099	6,099

- (7) For FY2010, the Manager has elected to receive 50% of the management fees in units for K-REIT Asia's current portfolio as compared to 100% in units for FY2009.

- (8) This represents the change in fair value of foreign currency forward contracts which were entered into in relation to the Group's foreign currency exposure on the net income from the 50% interest in 275 George Street, Brisbane.

- (9) Income tax expense comprises (i) tax of 17% (2009: 17%) on the income support received by K-REIT Asia for its interest in ORQPL, net of deductible interest expense and (ii) withholding tax accrued in relation to the Group's investment in 275 George Street, Brisbane.

(10) Included in the net tax adjustments are the following:

	<u>Group</u>		<u>Trust</u>	
	1Q2010	1Q2009	1Q2010	1Q2009
	\$'000	\$'000	\$'000	\$'000
Management fees payable in units	1,716	3,233	1,716	3,233
Trustee's fees	80	78	80	78
Amortisation of transaction costs	5,745	7,177	5,745	7,177
Non-tax deductible expenses	288	138	288	138
Share of results of associated company	(2,092)	(3,173)	(2,092)	(3,173)
Dividend income received	2,092	3,116	2,092	3,116
Change in fair value of unrealised derivative instrument	(206)	-	(206)	-
Unrealised foreign exchange gain	-	-	(3,271)	-
Net overseas income not distributed to the Trust	-	-	1,131	-
	7,623	10,569	5,483	10,569

(11) The distributable income to Unitholders is based on 100% of the income available for distribution to Unitholders. K-REIT Asia's distribution policy is to distribute at least 90% of its taxable income available for distribution to Unitholders.

(12) The DPU for 1Q2009 has been restated to take into account the effects of the rights issue completed in November 2009.

1(a)(ii) Statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Comprehensive Income

	<u>Group</u>			<u>Trust</u>		
	1Q2010	1Q2009	+/(-) %	1Q2010	1Q2009	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Total return after tax	10,202	5,089	100.5	12,342	5,089	142.5
Other comprehensive income:						
Translation difference from financial statements of foreign entity	48	-	Nm	-	-	-
Exchange differences on monetary items forming part of the net investment in foreign operations	3,271	-	Nm	-	-	-
Other comprehensive income for the period, net of tax	3,319	-	Nm	-	-	-
Total comprehensive income for the period	13,521	5,089	165.7	12,342	5,089	142.5

1(b)(i) Balance sheet, together with a comparative statement of the end of the immediately preceding financial year

	<i>Note</i>	<u>Group</u>			<u>Trust</u>		
		31/3/10	31/12/09	+/-	31/3/10	31/12/09	+/-
		\$'000	\$'000	%	\$'000	\$'000	%
Non-current assets							
Investment properties	1	1,391,143	1,162,800	19.6	1,162,800	1,162,800	-
Investment in subsidiary companies		-	-	-	2,211	-	Nm
Investment in associated company	2	848,616	849,239	(0.1)	848,616	849,239	(0.1)
Amount owing by subsidiary company		-	-	-	224,288	-	Nm
Intangible asset	3	27,304	32,598	(16.2)	27,304	32,598	(16.2)
Total non-current assets		2,267,063	2,044,637	10.9	2,265,219	2,044,637	10.8
Current assets							
Trade and other receivables	4	12,127	11,453	5.9	10,330	11,453	(9.8)
Derivative financial instruments	5	206	-	Nm	206	-	Nm
Cash and cash equivalents	6	340,335	575,549	(40.9)	336,234	575,549	(41.6)
Total current assets		352,668	587,002	(39.9)	346,770	587,002	(40.9)
Total assets		2,619,731	2,631,639	(0.5)	2,611,989	2,631,639	(0.7)
Current liabilities							
Trade and other payables		36,630	28,761	27.4	30,272	28,761	5.3
Current portion of security deposits		4,520	4,603	(1.8)	4,520	4,603	(1.8)
Provision for taxation		5,589	4,849	15.3	5,384	4,849	11.0
Short-term borrowings	7	389,566	-	Nm	389,566	-	Nm
Total current liabilities		436,305	38,213	Nm	429,742	38,213	Nm
Non-current liabilities							
Long-term borrowings	7	189,824	578,939	(67.2)	189,824	578,939	(67.2)
Non-current portion of security deposits		11,081	11,835	(6.4)	11,081	11,835	(6.4)
Total non-current liabilities		200,905	590,774	(66.0)	200,905	590,774	(66.0)
Total liabilities		637,210	628,987	1.3	630,647	628,987	0.3
Net assets		1,982,521	2,002,652	(1.0)	1,981,342	2,002,652	(1.1)
Represented by:							
Unitholders' funds		1,982,521	2,002,652	(1.0)	1,981,342	2,002,652	(1.1)
Net asset value per unit (\$)		1.48	1.50		1.48	1.50	
Borrowings / Value of deposited properties (%)	8	25.2	27.7				

Notes:

Nm – Not meaningful

- (1) *The increase in investment properties is due to the acquisition of a 50% interest in 275 George Street, Brisbane in March 2010.*
- (2) *This relates to the one-third equity interest in associated company ORQPL.*
- (3) *This relates to the probable future income support amount which may be received by K-REIT Asia. Under the Deed of Income Support, Boulevard Development Pte Ltd ("Boulevard") has undertaken to make income support top-up payments for the quarterly shortfall (one-third of the difference between the ORQPL's net property income and the guaranteed income amount for each quarter) in accordance with the terms set out therein. The intangible asset will be amortised over the period from 10 December 2007 to 31 December 2011.*
- (4) *Included in the balances are receivables for income support and dividend income as at 31 March 2010 of \$8.6 million (31 December 2009: \$8.8 million).*
- (5) *Derivative financial instruments relate to the foreign currency forward contracts taken out in relation to the Group's investment in 275 George Street, Brisbane.*
- (6) *The decrease in cash and cash equivalents is due to the utilisation of the rights issue proceeds to fund the acquisition of the 50% interest in 275 George Street, Brisbane in March 2010.*
- (7) *The increase in short-term borrowings is due to the reclassification of the revolving loan from long-term borrowings.*
- (8) *This is based on the principal amount of borrowings as stated in paragraph 1(b)(ii) and valuation of \$2.3 billion for the deposited properties (held directly and indirectly by K-REIT Asia) as at 31 March 2010.*

1(b)(ii) Aggregate amount of borrowings and debt securities

	<u>Group and Trust</u>	
	<u>As at 31/3/10</u>	<u>As at 31/12/09</u>
	\$'000	\$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	-	-
Amount repayable after one year	190,085	190,085
Less: Unamortised portion of fees	(261)	(321)
	189,824	189,764
Unsecured borrowing		
Amount repayable in one year or less, or on demand	391,000	-
Less: Unamortised portion of fees	(1,434)	-
	389,566	-
Amount repayable after one year	-	391,000
Less: Unamortised portion of fees	-	(1,825)
	-	389,175
Total borrowings	579,390	578,939

Details of borrowings and collaterals

K-REIT Asia has in place a secured five-year fixed rate term loan facility totalling \$190.1 million, which is funded by the proceeds of commercial mortgage-backed securities notes issued by a special purpose company. As at 31 March 2010, the term loans are fully drawn down and bear interest at a blended rate of 3.9% per annum.

As security for the term loan facility, K-REIT Asia has granted in favour of the lenders the following:

- (i) a mortgage over Prudential Tower Property (44.4% of total strata area), Keppel Towers and GE Tower and Bugis Junction Towers ("Initial Investment Properties");
- (ii) an assignment and charge over the rental collection account relating to the Initial Investment Properties;
- (iii) an assignment of the insurance policies relating to the Initial Investment Properties;
- (iv) an assignment of the agreements relating to the management of the Initial Investment Properties; and a fixed and floating charge over certain assets of K-REIT Asia relating to the Initial Investment Properties.

On 10 September 2008, K-REIT Asia put in place a revolving loan facility of \$391.0 million from Kephinance Investment Pte Ltd for a period of thirty months commencing from 10 September 2008 to 10 March 2011 and thereafter renewable on terms, including a new maturity date to be agreed between the parties. As at 31 March 2010, the gross amount outstanding is \$391.0 million.

1(c) Consolidated statement of cash flows

		Group	
	<i>Note</i>	1Q2010	1Q2009
		\$'000	\$'000
Cash flows from operating activities			
Total return before tax		10,942	5,717
Adjustments for:			
Interest income		(3,477)	(1,939)
Amortisation expense		5,294	6,726
Share of results of associated company		(2,092)	(3,173)
Borrowing costs		6,099	6,099
Management fees payable in units		1,716	3,233
Changes in fair value of unrealised derivative financial instruments		(206)	-
Translation of foreign subsidiary		48	-
Exchange differences on monetary items forming part of the net investment in foreign operations		3,271	-
Operating cash flows before changes in working capital		21,595	16,663
Increase in receivables		(7,434)	(6,680)
Increase/(Decrease) in payables		5,908	(274)
(Decrease)/Increase in security deposits		(837)	829
Net cash from operating activities		19,232	10,538
Investing activities			
Purchase of investment property		(228,343)	-
Interest received		3,703	1,993
Income support received		5,544	6,322
Dividend income received from associated company		3,499	2,760
Repayment of loan from associated company		-	4,000
Net cash flows (used in)/from investing activities		(215,597)	15,075
Financing activities			
Distribution to Unitholders	1	(37,008)	(33,093)
Interest paid		(1,841)	(1,841)
Net cash flows used in financing activities		(38,849)	(34,934)
Net decrease in cash and cash equivalents		(235,214)	(9,321)
Cash and cash equivalents at the beginning of period		575,549	43,968
Cash and cash equivalents at the end of period		340,335	34,647

Note:

- (1) Distribution for 1Q2010 is for the period 1 July 2009 to 31 December 2009, paid on 25 February 2010.
Distribution for 1Q2009 is for the period 1 July 2008 to 31 December 2008, paid on 23 February 2009.

1(d)(i) Statement of movements in Unitholders' funds

<u>Group</u>	<i>Note</i>	<u>Issued Equity</u> \$'000	<u>Accumulated Profit</u> \$'000	<u>Foreign Exchange Translation Reserve</u> \$'000	<u>Total</u> \$'000
Net assets at 1 January 2010		1,645,657	356,995	-	2,002,652
Total comprehensive income	1	-	10,202	3,319	13,521
Issue of units for payment of management fees	2	3,356	-	-	3,356
Distribution to Unitholders	3	-	(37,008)	-	(37,008)
Net assets at 31 March 2010		1,649,013	330,189	3,319	1,982,521
Net assets at 1 January 2009		1,016,566	469,105	-	1,485,671
Total comprehensive income		-	5,089	-	5,089
Issue of units for payment of management fees	2	3,331	-	-	3,331
Distribution to Unitholders	3	-	(33,093)	-	(33,093)
Net assets at 31 March 2009		1,019,897	441,101	-	1,460,998

Notes:

- (1) *The movement in foreign currency translation reserve relates to the exchange differences arising on the translation of foreign entities and intercompany loans that form part of the Group's net investment in the foreign entities.*
- (2) *This represents 3,108,946 and 4,819,121 units issued in 1Q2010 and 1Q2009 respectively as satisfaction of management fees payable in units.*
- (3) *This relates to the distributable income of \$37.0 million for the period of 1 July 2009 to 31 December 2009 which was paid on 25 February 2010 and the distributable income of \$33.1 million for the period of 1 July 2008 to 31 December 2008 which was paid on 23 February 2009.*

Statement of movements in Unitholders' funds

<u>Trust</u>	<i>Note</i>	<u>Issued Equity</u> \$'000	<u>Accumulated Profit</u> \$'000	<u>Total</u> \$'000
Net assets at 1 January 2010		1,645,657	356,995	2,002,652
Total comprehensive income		-	12,342	12,342
Issue of units for payment of management fees	1	3,356	-	3,356
Distribution to Unitholders	2	-	(37,008)	(37,008)
Net assets at 31 March 2010		1,649,013	332,329	1,981,342
Net assets at 1 January 2009		1,016,566	469,105	1,485,671
Total comprehensive income		-	5,089	5,089
Issue of units for payment of management fees	1	3,331	-	3,331
Distribution to Unitholders	2	-	(33,093)	(33,093)
Net assets at 31 March 2009		1,019,897	441,101	1,460,998

Notes:

- (1) This represents 3,108,946 and 4,819,121 units issued in 1Q2010 and 1Q2009 respectively as satisfaction of management fees payable in units.
- (2) This relates to the distributable income of \$37.0 million for the period of 1 July 2009 to 31 December 2009 which was paid on 25 February 2010 and the distributable income of \$33.1 million for the period of 1 July 2008 to 31 December 2008 which was paid on 23 February 2009.

1(d)(ii) Details of changes in the units

	<u>Group and Trust</u>	
	2010 Units	2009 Units
Issued units as at 1 January	1,336,023,351	652,724,165
Issue of new units	3,108,946	4,819,121
- Payment of management fees in units	-	-
Issued units as at 31 March	1,339,132,297	657,543,286

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period, and as at the end of the immediately preceding year.

No treasury units in K-REIT Asia have been issued since the date of listing of K-REIT Asia on 28 April 2006. The total number of issued units in K-REIT Asia as at the end of the current and preceding financial periods are disclosed in 1(d)(ii).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. AUDIT

The figures have not been audited or reviewed by the auditors.

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2009.

5. CHANGES IN ACCOUNTING POLICIES

In the current financial period, the Group adopted the new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2010. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRSs that are relevant to the Group:

-	Improvements to FRSs issued in 2009
FRS 27	Consolidated and Separate Financial Statements (Revised)
FRS 103	Business Combinations (Revised)

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies or any significant impact on the financial statements.

6. CONSOLIDATED EARNINGS PER UNIT ("EPU") AND DISTRIBUTION PER UNIT ("DPU")

	1Q2010	<u>Group</u> 1Q2009 ¹ (Restated)	1Q2009 ²
Earnings per unit (based on the weighted average number of units as at the end of the period)	0.76 cents	0.70 cents	0.78 cents
- Weighted average number of units as at the end of period	1,338,165,069	733,528,530	655,990,458
Distribution per unit (based on the number of units as at the end of period)	1.33 cents	1.18 cents	2.38 cents
- Number of units in issue at end of period	1,339,132,297	1,324,247,251 ³	657,543,286

The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

Notes:

- (1) The comparative figures have been restated for the effect of the rights issue completed in November 2009.
- (2) As previously reported.
- (3) Computed based on the issued units at the end of the period aggregated with the 666,703,965 rights units issued in the rights issue completed in November 2009.

7. NET ASSET VALUE (“NAV”)

	<u>Group</u>		<u>Trust</u>	
	As at 31/3/10	As at 31/12/09	As at 31/3/10	As at 31/12/09
NAV per unit based on issued units at the end of the period (\$)	1.48	1.50	1.48	1.50
Adjusted NAV per unit based on issued units at the end of the period (excluding the distributable income) (\$)	1.47	1.47	1.47	1.47

8. REVIEW OF PERFORMANCE

8(i) Property income contribution of the properties

	<u>Group</u>		+ / (-) %
	1Q2010 \$'000	1Q2009 \$'000	
<u>Property</u>			
Prudential Tower Property	4,723	2,686	75.8
Keppel Towers and GE Tower	7,095	7,196	(1.4)
Bugis Junction Towers	4,965	4,903	1.3
275 George Street	1,427	-	Nm
Total property income	18,210	14,785	23.2

8(ii) Income contribution of the properties

	<u>Group</u>		+ / (-) %
	1Q2010 \$'000	1Q2009 \$'000	
<u>Property</u>			
Prudential Tower Property	3,855	1,982	94.5
Keppel Towers and GE Tower	4,723	5,247	(10.0)
Bugis Junction Towers	4,207	3,591	17.2
275 George Street	1,103	-	Nm
Total net property income	13,888	10,820	28.4
One-third interest in ORQPL:			
- Income support	5,968	6,151	(3.0)
- Interest income	3,087	1,892	63.2
- Dividend income	2,092	3,116	(32.9)
Total income from one-third interest in ORQPL	11,147	11,159	(0.1)
Total income contribution	25,035	21,979	13.9

8. REVIEW OF PERFORMANCE (CONT'D)**Review of performance for 1Q2010 vs 1Q2009**

Turnover for 1Q2010 was \$18.2 million, an increase of \$3.4 million or 23.2% over 1Q2009. This improvement was due mainly to the contribution from the additional six strata floors of Prudential Tower acquired in November 2009 as well as the 50.0% stake in 275 George Street, Brisbane acquired in March 2010.

The portfolio attained 96.0% committed occupancy as at end-March 2010 as compared with 95.8% as at end-March 2009. Average gross rental rate for Singapore portfolio was \$8.30 psf in March 2010 as compared with \$8.06 psf in March 2009.

Property expenses of \$4.3 million were \$0.4 million or 9.0% higher than the amount in 1Q2009. The increase was due to higher operating expenses of \$0.9 million on the account of higher marketing costs for renewal of new leases and higher maintenance costs from the additional six strata floors of Prudential Tower but partly offset by lower property tax expenses of \$0.5 million due to the lower assessed annual value.

Net property income increased 28.4% to \$13.9 million in 1Q2010 from \$10.8 million in 1Q2009. This was due mainly to higher property income. Total return before tax reported an increase of \$5.2 million to \$10.9 million in 1Q2010 from \$5.7 million in 1Q2009 due mainly to higher net property income, higher contribution from ORQPL and, lower amortization of income support.

Distributable income to Unitholders increased by \$2.1 million to \$17.8 million in 1Q2010 from \$15.7 million in 1Q2009.

For the quarter, the all-in interest rate was 4.26% for both in 1Q2010 and 1Q2009. The aggregate leverage stood at 25.2% as at 31 March 2010. The weighted average term to expiry of debt is 1.0 year.

Review of performance for 1Q2010 vs 4Q2009

Turnover for 1Q2010 was \$18.2 million, an increase of \$1.2 million or 7.0% over 4Q2009. This improvement was due mainly to the contribution from the 50.0% stake in 275 George Street, Brisbane acquired in March 2010.

The portfolio attained 96.0% committed occupancy as at end-March 2010 as compared with 95.0% as at end-December 2009. Average gross rental rate for Singapore portfolio was \$8.30 psf in March 2010 against \$8.16 psf in December 2009.

Property expenses of \$4.3 million were higher than 4Q2009 by \$0.7 million or 20.9%, attributed mainly due to the higher property tax in 1Q2010 for the additional six strata floors of Prudential Tower and the 50% stake in 275 George Street and higher marketing costs for renewal of new leases.

Net property income increased by 3.3% to \$13.9 million in 1Q2010 on the account of higher property income of \$1.2 million, offsetting higher property expenses of \$0.7 million. Total return before tax (before net change in fair value of investment properties) increased by \$3.9 million or 55.6% in 1Q2010 due mainly to a higher net property income, higher contribution from ORQPL, and lower amortisation of income support.

Total return after tax for 1Q2010 of \$10.2 million was \$17.8 million or 63.5% lower than in 4Q2009 due to net fair value gain of investment properties of \$21.1 million taken up in 4Q2009.

Distributable income to Unitholders for 1Q2010 decreased to \$17.8 million from \$19.4 million in 4Q2009. The decrease was due mainly to the payment of 50% of the management fee in cash as compared to 100% in units in FY2009 but partly offset by higher net property income in 1Q2010.

For quarter on quarter comparison, the all-in interest rate was 4.26% for 1Q2010 as compared with 4.17% for 4Q2009. The aggregate leverage stood at 25.2% as at 31 March 2010 against 27.7% as at 31 December 2009, and the weighted average term to expiry of debt was reduced from 1.3 years in December 2009 to 1.0 year in March 2010.

9. VARIANCE FROM PROSPECTS STATEMENT

K-REIT Asia has not disclosed any forecast to the market.

10. PROSPECTS

Advance GDP estimates by the Ministry of Trade and Industry (“MTI”) show that the Singapore economies continue to strengthen amid global economic recovery, expanding strongly by 13.1% in 1Q 2010, compared with 1Q 2009. On the back of sustained growth momentum, the MTI has upgraded the GDP forecast for 2010 from 4.5% to 6.5%, to 7.0% to 9.0%.

The office sector continues to stabilise as rental declines slowed further and absorption improved. Prime office monthly rents averaged \$6.70 psf in 1Q 2010, reflecting a marginal quarter-on-quarter decline of 0.7%, compared with the 10.0% contraction in 4Q 2009. Grade A office monthly rents eased 1.2% quarter-on-quarter to \$8.00 psf in 1Q 2010, compared with the 8.0% decline in 4Q 2009. (Source: CB Richard Ellis).

Core Central Business District (“CBD”) office occupancy rates improved 0.7% from the last quarter to 91.9% in 1Q 2010 (Source: CB Richard Ellis). The committed occupancy of K-REIT Asia’s portfolio of 96.0% as at 31 March 2010 remains higher than the core CBD occupancy rate.

The improvement in business sentiments, increased hiring by financial institutions, and tendency of companies to relocate to better located and better-specified buildings as “flight to quality” are some factors supporting the recovery of the office sector. The office market will also benefit from conversion of office space in the central business district to other uses. CBRE estimates that around 1.2 million sf of existing office space can be removed from the market and converted to mainly residential space up to 2013.

K-REIT Asia is well-positioned to capitalise on the recovery of the Singapore economy with its well-located quality asset portfolio, strong tenancy profile and diverse tenant business mix.

The yield accretive acquisition of a 50.0% stake in 275 George Street, in Brisbane, Australia has improved K-REIT Asia’s income and tenant diversification, as well as extended the portfolio lease expiry profile. The weighted average lease term for K-REIT Asia’s portfolio is 5.9 years while that of its top 10 tenants is 7.6 years. Long leases extending 5 years or more account for over 40% of all leases and provide stability for K-REIT Asia’s rental income.

K-REIT Asia has a pan-Asian mandate, and intends to pursue opportunities for strategic acquisitions in Singapore and across Asia. It will also identify potential asset enhancement initiatives for its property portfolio. The Manager will continue to place emphasis on tenant retention, attract new tenants and improve operational and cost efficiencies.

As at end-March 2010, K-REIT Asia’s portfolio size, including the 50.0% stake in 275 George Street, in Brisbane, Australia, is \$2.3 billion.

11. RISK FACTORS AND RISK MANAGEMENT

K-REIT Asia ascribes great importance to risk management and constantly takes initiatives to systemically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

Interest rate risk

Interest rate exposures are managed through appropriate term facilities and floating positions. The Manager also monitors the interest rate environment closely to optimise the refinancing of higher cost debt where and when appropriate.

Liquidity risk

The Manager monitors and maintains K-REIT Asia's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Steps have been taken to plan early for funding and expenses so as to manage the cash position at any point of time.

Credit risk

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches prior to signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rents and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the property portfolio's tenant trade sector mix to assess exposure to any one potentially volatile trade sector.

Currency risk

The Group's foreign currency risk mainly relates to its Australian Dollar denominated investment and distribution income from its foreign subsidiaries. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

Operational risk

Measures have been put in place to promote sustainability of net property income. Some of these measures include steps taken to negotiate for favourable terms/covenants, manage expenses, actively monitor rental payments from tenants, continuously evaluate our counter-parties and maximise property value. In addition, the Manager also continuously reviews disaster and pandemic business continuity plans and modifies them, when necessary.

12. DISTRIBUTIONS

(a) Current financial period reported on

None.

(b) Corresponding period of the immediately preceding financial year

Not applicable.

(c) DATE PAYABLE

Not applicable.

(d) BOOKS CLOSURE DATE

Not applicable.

13. DISTRIBUTION STATEMENT

No distribution has been declared / recommended.

14. INTERESTED PERSON TRANSACTIONS

Name of interested person

Keppel Land Limited and its subsidiaries or associates

- Manager's management fees
- Acquisition fee
- Property management fees and reimbursable
- Leasing commissions
- Income support

RBC Dexia Trust Services Singapore Limited

- Trustee's fees

Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)

	1Q2010	1Q2009
	\$'000	\$'000
	3,433	3,233
	2,098	-
	803	696
	716	265
	5,968	6,151
	80	78

QUARTERLY BREAKDOWN

Property contribution by asset (\$'000)

	FY08	1Q09	2Q09	3Q09	4Q09	FY09	1Q10
Property							
Prudential Tower Property ¹	10,475	2,686	3,103	3,126	4,514	13,429	4,723
Keppel Towers and GE Tower	25,666	7,196	7,337	7,528	7,445	29,506	7,095
Bugis Junction Towers	16,505	4,903	4,917	5,000	5,056	19,876	4,965
275 George Street ²	-	-	-	-	-	-	1,427
Total property income	52,646	14,785	15,357	15,654	17,015	62,811	18,210

Income contribution by asset (\$'000)

	FY08	1Q09	2Q09	3Q09	4Q09	FY09	1Q10
Property							
Prudential Tower Property ¹	8,270	1,982	2,638	2,584	3,809	11,013	3,855
Keppel Towers and GE Tower	18,942	5,247	5,601	5,739	5,490	22,077	4,723
Bugis Junction Towers	12,447	3,591	4,077	3,980	4,142	15,790	4,207
275 George Street ²	-	-	-	-	-	-	1,103
Net property income	39,659	10,820	12,316	12,303	13,441	48,880	13,888
One-third interest in ORQPL:							
- Income support	24,799	6,151	6,188	5,177	5,495	23,011	5,968
- Interest income	8,799	1,892	4,345	3,214	3,051	12,502	3,087
- Dividend income	10,768	3,116	929	3,645	3,499	11,189	2,092
Total income from one-third interest in ORQPL	44,366	11,159	11,462	12,036	12,045	46,702	11,147
Total income contribution	84,025	21,979	23,778	24,339	25,486	95,582	25,035

Notes:

- (1) The interest in Prudential Tower Property was increased from 44.4% to 73.4% on 2 November 2009.
(2) The acquisition of the 50% interest in 275 George Street, Brisbane was completed on 1 March 2010.

By Order of the Board
K-REIT Asia Management Limited
(Company Registration Number: 200411357K)
As Manager of K-REIT Asia

CHOO CHIN TECK / JACQUELINE NG
Joint Company Secretaries
19 April 2010

CONFIRMATION BY THE BOARD

We, TSUI KAI CHONG and NG HSUEH LING being two Directors of K-REIT Asia Management Limited (the "Company"), as manager of K-REIT Asia, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 1Q2010 financial statements of K-REIT Asia to be false or misleading in any material respect.

On Behalf of the Board

TSUI KAI CHONG
Chairman



NG HSUEH LING
Director

19 April 2010